

**THE COLONIAL DAMES
OF AMERICA**

**Financial Statements
for year ended
March 31, 2008**

Independent Auditors' Report

To the Board of Managers
The Colonial Dames of America

We have audited the accompanying statements of financial position of The Colonial Dames of America (the "Society") as of March 31, 2008 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized financial information has been derived from the Society's fiscal 2007 financial statements and, in our report dated September 20, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Colonial Dames of America at March 31, 2008 and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

July 30, 2008

THE COLONIAL DAMES OF AMERICA

Statements of Financial Position

Assets

	March 31	
	2008	2007
Current assets		
Cash	\$ 60,382	\$ 39,694
Investments, at market value (notes 2 and 3)	8,161,770	8,175,900
Inventory, at cost	17,188	16,551
Prepaid expenses	23,527	13,708
Total current assets	8,262,867	8,245,853
Property and equipment, net (notes 2 and 4)	2,102,890	2,166,912
Deferred expenses	-	8,880
Deferred compensation plan asset (note 5)	46,209	32,028
Total assets	\$10,411,966	\$10,453,673

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 17,597	\$ 42,624
Deferred compensation plan liability (note 5)	46,209	32,028
Total liabilities	63,806	74,652
Net assets (notes 2, 7 and 8)		
Unrestricted	8,708,466	8,768,280
Temporarily restricted	761,847	732,894
Permanently restricted	877,847	877,847
Total net assets	10,348,160	10,379,021
Total liabilities and net assets	\$10,411,966	\$10,453,673

See notes to financial statements.

THE COLONIAL DAMES OF AMERICA

**Statements of Activities
For Year Ended March 31, 2008
(with Summarized Financial Information for the year ended March 31, 2007)**

	2008						2007	
	Unrestricted			Temporarily Restricted			Total all Funds	Total all Funds
	Mount Vernon Hotel Museum & Garden Fund	E.M. Taylor Endowment Fund	Total Unrestricted Funds	Scholarship Fund	Fellowship and Education Restricted Fund	Total Temporarily Restricted Funds		
Support and revenue								
Support								
Grants	\$ -	\$ -	\$ 85,263	\$ -	\$ -	\$ -	\$ -	\$ 85,263
Contributions	15,539	-	27,133	11,240	-	11,240	-	53,912
Legacies	2,199	-	325	140	-	140	-	2,664
Total support	17,738	-	112,721	11,380	-	11,380	-	141,839
Revenue								
Membership dues	93,367	-	22,991	-	-	116,358	-	116,358
Interest and dividends	379,941	62,294	1,282	12,599	5,944	443,517	-	462,060
Site rentals	37,358	-	4,470	-	-	41,828	-	41,828
Claims	16,260	-	-	-	-	16,260	-	16,260
Insignia and other sales	18,841	-	-	-	-	18,841	-	18,841
Meeting and functions	17,024	-	15,156	-	-	32,180	-	32,180
Education programs	-	-	40,590	-	-	40,590	-	40,590
Museum admissions, tours and gift shop sales	-	-	24,170	-	-	24,170	-	24,170
Net assets released from restrictions (note 6)	14,249	-	5,500	(14,249)	(5,500)	19,749	-	-
Total revenue	577,040	62,294	114,159	(1,650)	444	753,493	(1,206)	752,287
Total support and revenue	594,778	62,294	226,880	9,730	444	883,952	10,174	894,126
Expenses								
Program services								
Museum programs and activities	-	-	394,581	-	-	394,581	-	394,581
CDA programs	150,631	-	-	-	-	150,631	-	150,631
Scholarship programs	14,249	-	-	-	-	14,249	-	14,249
Total program services	164,880	-	394,581	-	-	559,461	-	559,461
Supporting services								
General and administrative	177,941	-	-	-	-	177,941	-	177,941
Fund-raising	1,512	-	10,588	-	-	12,100	-	12,100
Total supporting services	179,453	-	10,588	-	-	190,041	-	190,041
Total expenses	344,333	-	405,169	-	-	749,502	-	749,502
Excess (deficiency) of support and revenue over expenses before other additions (deductions)	250,445	62,294	(178,289)	9,730	444	134,450	10,174	144,624
Other additions (deductions)								
Realized gain (loss) on sale of investments	(150,442)	36,398	1,978	11,810	1,021	(112,066)	-	(99,235)
Unrealized gain (loss) on investments	(98,612)	17,684	(1,270)	(1,350)	7,298	(82,198)	-	(76,250)
Total other net additions	(249,054)	54,082	708	10,460	8,319	(194,264)	-	(175,485)
Increase (decrease) in net assets	1,391	116,376	(177,581)	20,190	8,763	(59,814)	28,953	(30,861)
Net assets (deficit), beginning of year	4,494,614	4,526,874	(253,208)	411,627	321,267	8,768,280	732,894	10,379,021
Net assets (deficit), end of year	\$ 4,496,005	\$ 4,643,250	\$ (430,789)	\$ 431,817	\$ 330,030	\$ 8,708,466	\$ 761,847	\$ 10,348,160

See notes to financial statements.

THE COLONIAL DAMES OF AMERICA

**Statements of Functional Expenses
For Year Ended March 31, 2008
(with Summarized Financial Total Information for the year ended March 31, 2007)**

	2008					2007
	Program Services			Supporting Services		
	Museum Programs and Activities	CDA Programs	Scholarship Programs	General and Administrative	Fund- Raising	Total
Salaries, payroll taxes and employee benefits	\$ 192,422	\$ 87,524	\$ -	\$ 51,055	\$ 7,294	\$ 357,711
Temporary help	450	90	-	-	-	1,248
Professional fees	25,465	11,756	-	27,560	-	129,352
Programs and events	33,025	23,938	-	-	2,331	49,428
Scholarships	-	1,000	12,700	-	-	23,400
Tours and educational programs	4,749	1,901	-	-	-	5,859
Insurance	12,970	-	-	15,926	-	28,938
Telephone and internet	3,126	6,899	-	2,300	-	10,101
Travel	750	1,454	-	93	-	2,398
Insignias and other expense	-	-	-	6,400	-	5,347
Office expenses	8,749	6,873	-	3,131	885	19,038
Custodial fees	127	-	1,138	5,260	-	6,847
Occupancy	31,010	-	-	24,671	-	53,344
Collection	4,631	-	-	-	-	10,962
Gift shop	7,818	-	-	-	-	7,580
Publicity and advertising	1,396	481	-	-	-	1,796
Printing	5,565	2,347	-	7,015	800	17,544
Postage	7,509	3,916	411	1,885	790	16,805
Newsletter	-	2,452	-	-	-	2,566
Depreciation	45,939	-	-	32,382	-	74,093
Amortization	8,880	-	-	-	-	8,880
Other	-	-	-	263	-	15,212
Total expenses	\$ 394,581	\$ 150,631	\$ 14,249	\$ 177,941	\$ 12,100	\$ 848,449

See notes to financial statements.

THE COLONIAL DAMES OF AMERICA

Statements of Cash Flows

	Year Ended	
	March 31	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (30,861)	\$ 119,734
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	78,321	74,093
Amortization	8,880	8,880
Net realized (gain) loss on sales of investments	99,235	(175,596)
Net unrealized (gain) loss on investments	76,250	(107,555)
Contribution of stock	(2,074)	(1,079)
(Increase) decrease in current assets		
Inventory	(637)	(29)
Prepaid expenses	(9,819)	2,733
Deferred expense		43,052
(Decrease) in accounts payable and accrued expenses	(25,027)	(21,984)
Net cash provided by (used in) operating activities	<u>194,268</u>	<u>(57,751)</u>
Cash flows from investing activities		
Expenditures for property and equipment	(14,299)	(181,170)
Proceeds from sale of investments	3,025,443	3,902,318
Purchase of investments	<u>(3,184,724)</u>	<u>(3,626,130)</u>
Net cash provided by investing activities	<u>(173,580)</u>	<u>95,018</u>
Net increase in cash	20,688	37,267
Cash, beginning of year	<u>39,694</u>	<u>2,427</u>
Cash, end of year	<u>\$ 60,382</u>	<u>\$ 39,694</u>

See notes to financial statements.

THE COLONIAL DAMES OF AMERICA

Notes to Financial Statements March 31, 2008

Note 1 – Organization

This report is for the headquarters of The Colonial Dames of America (the “Society”) located in New York City. There are thirty-two affiliated chapters located in the United States and Europe. These chapters are loosely affiliated local organizations and are not included in the Headquarters report. One of the functions of the Society is to operate the Mount Vernon Hotel Museum & Garden (the “Museum”), which is owned and operated by the Society.

Note 2 – Summary of significant accounting policies

The Society maintains three classes of net assets as follows:

- Unrestricted net assets, which consist of funds available for operations and board-designated purposes.
 - General – Funds available for current operations.
 - Mount Vernon Hotel Museum & Garden – Designated amounts available for programs and activities conducted by the Museum.
 - E.M. Taylor Endowment – Funds available to be used for educational and charitable purposes as designated by the Board of Managers.
- Temporarily restricted net assets, which consist of contributions to be used for designated purposes or future periods.
 - Scholarship fund – Amounts restricted for scholarships for students engaged in areas of study relating to colonial history.
 - Hearst Fellowship and Education Endowment Fund – A grant from the William Randolph Hearst Foundation to establish Hearst fellowships for students in the fields of art history and decorative arts.
- Permanently restricted net assets, which consist of contributions, the principal of which is permanently restricted. The Society considers any investment revenue, including realized capital gains, in the permanently restricted net assets category to be unrestricted revenue used for Board determined educational and charitable purposes.

THE COLONIAL DAMES OF AMERICA**Notes to Financial Statements (continued)
March 31, 2008****Note 2 – Summary of significant accounting policies (continued)**Revenue recognition

Unrestricted contributions, bequests and grants are recognized as revenue when the gift or cash is received. Contributions or grants relating to future events or periods are reflected as temporarily restricted until the event occurs or time lapses.

Property and equipment

Property and equipment are recorded at cost. Building improvements and furniture and fixtures are being depreciated on a straight-line basis over the estimated lives of the assets ranging from three to forty years. Depreciation has not been provided for the Museum or historical museum fixtures since they are considered to be historically important, thereby increasing in value.

Allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of credit risk

The Society's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and investments. The Society places its cash with what it believes to be quality financial institutions. The Society invests in notes issued by the United States Government, mutual funds and money market accounts. The Society believes no significant concentration of credit risk exists with respect to its cash and investments.

Investments

The Society reports investments at fair market value in the statement of financial position. The market value of the investments is based on publicly quoted prices. Interest, dividends, realized and unrealized gains and losses are included in the statement of activities.

THE COLONIAL DAMES OF AMERICA

Notes to Financial Statements (continued)
March 31, 2008

Note 2 – Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended March 31, 2007, from which the summarized information was derived.

Cash equivalents

The Society considers highly liquid investments with maturities of ninety days or less to be cash equivalents from the date of acquisition.

Note 3 – Investments

The following is a summary of the investments at March 31, 2008 and March 31, 2007:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash equivalents	\$ 1,045,729	\$ 1,045,729	\$ 292,907	\$ 292,907
U.S. Government obligations	2,364,528	2,442,591	2,299,692	2,355,866
Stocks	-	-	1,079	1,056
Mutual funds	<u>3,399,438</u>	<u>4,673,450</u>	<u>4,153,897</u>	<u>5,526,071</u>
Total	<u>\$ 6,809,695</u>	<u>\$ 8,161,770</u>	<u>\$ 6,747,575</u>	<u>\$ 8,175,900</u>

THE COLONIAL DAMES OF AMERICA

Notes to Financial Statements (continued)
March 31, 2008

Note 4 – Property and equipment

The summary of the property and equipment as of March 31, 2008 and March 31, 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Building and building improvements	\$2,438,341	\$2,438,341
Museum and historical museum fixtures	817,587	817,587
Furniture, fixtures and equipment	<u>251,142</u>	<u>236,843</u>
Total property and equipment	3,507,070	3,492,771
Less: Accumulated depreciation	<u>1,404,180</u>	<u>1,325,859</u>
Net property and equipment	<u>\$2,102,890</u>	<u>\$2,166,912</u>

Note 5 – Retirement plans

The Society maintains a 403(b) Thrift Plan (the “Plan”). Eligible employees may contribute to the plan up to the limitations established by the Internal Revenue Code. The Society matches employees’ contributions to the plan up to 6% of compensation. For the 2008 and 2007 fiscal years, the cost incurred in connection with the plan totaled \$9,129 and \$11,490, respectively.

In addition, the Society has a deferred compensation agreement with a key employee. Amounts deferred are reflected as an asset and a corresponding liability on the statements of financial position.

Note 6 – Net assets released from restrictions

Net assets, in connection with the Scholarship and Fellowship programs, totaling \$19,749 were released from donor restrictions by satisfying the restricted purposes.

Note 7 – Temporarily restricted net assets

At March 31, 2008, temporarily restricted net assets are available for the following purposes:

Scholarship program	\$ 431,817
Fellowship program	<u>330,030</u>
Total	<u>\$ 761,847</u>

THE COLONIAL DAMES OF AMERICA

**Notes to Financial Statements (continued)
March 31, 2008**

Note 8 – Permanently restricted net assets

Permanently restricted net assets of \$877,847 at March 31, 2008 and 2007 are restricted to permanent endowments.

Note 9 – Commitment

During June 2008, the Society entered into a \$110,000 contract in connection with the renovation of its auditorium and reception hall. Work on the project is expected to commence during the 2009 fiscal year.

Note 10 – Tax status

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, the Society is a Section 509(a)(1) organization as defined in the Code and is, therefore, not a private foundation and qualifies for the maximum charitable deduction for donors.